

INTEREST ONLY MORTGAGES

Increasing monthly expenses getting you down?

In today's society with job security very hard to predict you never know when we might see major changes in our financial situation. It is with this uncertainty that we should be wise and keep our monthly expenses down.

Prices in the Vancouver housing market have been increasing at a rapid pace over the last 2 years, with no end in sight. Perhaps Vancouver's healthy economy and the preparation for the Olympics may contribute to this current scenario; regardless, when considering purchasing a home it's important to educate yourself with the mortgage options available. There are many new and innovative mortgages giving buyers the edge in moving towards securing their financial futures.

One of the newest options available is the Interest Only Mortgage. The Interest only mortgage can be used by both First Time Home Buyers and Repeat Buyers. In the United States the Interest only Mortgage has been quite popular, only recently becoming known in Canada. This is due to Canadian Mortgage lenders introducing the Interest only type products to our market place.

An Interest only mortgage allows buyers to purchase a home and in most cases is less than a typical rent payment for the same home or property. This great program is available for as little as 10% down while giving you the flexibility in keeping your minimum payments to cover the interest alone. How this works is you pay the minimum payments of the interest on your mortgage every month with the option to pay down the balance of the mortgage whenever you like. For example: with a regular type mortgage of \$300,000 based at 4.5% for a five year term payments would be around \$1,714.38 per month; on the other hand, with the same mortgage amount of \$300,000 your payments based on bank prime at 4.25% Interest only would be \$1,062.50 per month a huge savings of \$651.08 per month.

An Interest only mortgage is an excellent debt management tool that lets home owners free up money for other things: such as, paying off existing high interest debt, allowing access to funds for investment

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purposes, options to retrain for new employment, or simply starting a new business or career. This approach is also used for clients looking to get into the housing market, or one who is expecting a big inheritance severance pay or big payout in the near future thus paying down the mortgage.

If you are looking at buying a second property for investment purposes how about rent out your first property and live in your new home with an Interest Only mortgage thus keeping payment commitments down per month on your new purchase. This approach is a safe bet allowing you to keep control of your cash flow in the event something unexpectedly comes up. The Interest only mortgage is a convenient debt decreasing tool but be sure not to forget about your original Mortgage balance.



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Grant was born and raised in Vancouver. He enjoys being active in many indoor and outdoor sporting activities. He also feels a great satisfaction seeing all the financial benefits his clients have received working with him in the Vancouver real estate market. grant@kitsilanoview.ca



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